



February 28, 2003

SENATE BILL No. 501

DIGEST OF SB 501 (Updated February 27, 2003 10:33 AM - DI 103)

Citations Affected: IC 6-1.1; IC 20-5.5; IC 20-8.1; IC 21-1; IC 21-2; IC 21-3; noncode.

Synopsis: Charter school funding. Allows a school corporation to increase its maximum levy by the amount of any local funding provided to a charter. Excludes the levy increase from the school corporation's previous year revenue and tuition support calculation. Requires the department of local government finance to inform each county auditor of the amount of local funding to distribute to a charter school. Creates a separate average daily membership ("ADM") count for a charter school. Requires the department of education ("department") to distribute tuition support and other state funding to a charter school beginning in the second semester of the charter school's operation. Requires the department to provide the department of local government finance information necessary to calculate a charter school's share of local funding. Provides that the school corporation in which a conversion charter school is located provides state funding and a proportionate share of local funding to the conversion charter school during its first semester of operation. Requires the organizer of a charter school to apply for federal funding. Allows a charter school to borrow from the common school fund for first semester operational costs and operational costs associated with a growth in enrollment of at least 15%. Provides for repayment of any outstanding obligation from the common school fund of a charter school that terminates operation. Includes charter schools in the following categorical distributions: (1) free lunch and textbook reimbursement; (2) primetime; (3) at risk; (4) growing enrollment; (5) academic honors diploma; (6) special education; and (7) vocational education. Forgives outstanding obligations of charter schools from the abandoned property fund.

Effective: January 1, 2002 (retroactive); January 1, 2003 (retroactive); upon passage.

Lubbers, Rogers

January 23, 2003, read first time and referred to Committee on Education and Career Development.

February 6, 2003, amended, reported favorably — Do Pass; reassigned to Committee on Finance.

February 27, 2003, amended, reported favorably — Do Pass.

SB 501—LS 7894/DI 103+



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February 28, 2003

First Regular Session 113th General Assembly (2003)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2002 Regular or Special Session of the General Assembly.

SENATE BILL No. 501

A BILL FOR AN ACT to amend the Indiana Code concerning education.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 6-1.1-19-1.5, AS AMENDED BY P.L.90-2002,
2 SECTION 173, IS AMENDED TO READ AS FOLLOWS
3 [EFFECTIVE JANUARY 1, 2003 (RETROACTIVE)]: Sec. 1.5. (a)
4 The following definitions apply throughout this section and
5 IC 21-3-1.7:
6 (1) "Adjustment factor" means the adjustment factor determined
7 by the department of local government finance for a school
8 corporation under IC 6-1.1-34.
9 (2) "Adjusted target property tax rate" means:
10 (A) the school corporation's target general fund property tax
11 rate determined under IC 21-3-1.7-6.8; multiplied by
12 (B) the school corporation's adjustment factor.
13 (3) "Previous year property tax rate" means the school
14 corporation's previous year general fund property tax rate after the
15 reductions cited in IC 21-3-1.7-5(1), IC 21-3-1.7-5(2), and
16 IC 21-3-1.7-5(3).
17 (b) Except as otherwise provided in this chapter, a school

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corporation may not, for an ensuing calendar year, impose a general fund ad valorem property tax levy which exceeds the following:

STEP ONE: Determine the result of:

(A) the school corporation's adjusted target property tax rate; minus

(B) the school corporation's previous year property tax rate.

STEP TWO: Determine the result of:

(A) the school corporation's target general fund property tax rate determined under IC 21-3-1.7-6.8; multiplied by

(B) the quotient resulting from:

(i) the absolute value of the result of the school corporation's adjustment factor minus one (1); divided by

(ii) two (2).

STEP THREE: If the school corporation's adjusted target property tax rate:

(A) exceeds the school corporation's previous year property tax rate, perform the calculation under STEP FOUR and not under STEP FIVE;

(B) is less than the school corporation's previous year property tax rate, perform the calculation under STEP FIVE and not under STEP FOUR; or

(C) equals the school corporation's previous year property tax rate, determine the levy resulting from using the school corporation's adjusted target property tax rate and do not perform the calculation under STEP FOUR or STEP FIVE.

The school corporation's 2002 assessed valuation shall be used for purposes of determining the levy under clause (C) in 2002 and in 2003.

STEP FOUR: Determine the levy resulting from using the school corporation's previous year property tax rate after increasing the rate by the lesser of:

(A) the STEP ONE result; or

(B) the sum of:

(i) five cents (\$0.05); plus

(ii) if the school corporation's adjustment factor is more than one (1), the STEP TWO result.

The school corporation's 2002 assessed valuation shall be used for purposes of determining the levy under this STEP in 2002 and in 2003.

STEP FIVE: Determine the levy resulting from using the school corporation's previous year property tax rate after reducing the rate by the lesser of:

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(A) the absolute value of the STEP ONE result; or

(B) the sum of:

(i) nine cents (\$0.09); plus

(ii) if the school corporation's adjustment factor is less than one (1), the STEP TWO result.

The school corporation's 2002 assessed valuation shall be used for purposes of determining the levy under this STEP in 2002 and in 2003.

STEP SIX: Determine the result of:

(A) the STEP THREE (C), STEP FOUR, or STEP FIVE result, whichever applies; plus

(B) an amount equal to the annual decrease in federal aid to impacted areas from the year preceding the ensuing calendar year by three (3) years to the year preceding the ensuing calendar year by two (2) years.

The maximum levy is to include the portion of any excessive levy and the levy for new facilities.

STEP SEVEN: Determine the result of:

(A) the STEP SIX result; plus

(B) the product of:

(i) the amount determined under IC 21-3-1.7-6.7(c) STEP SIX; multiplied by

(ii) thirty-five hundredths (0.35); multiplied by

(iii) the number of students, as determined by the department of education, who have legal settlement in the school corporation and are enrolled in a charter school. In determining the number of students, each kindergarten pupil shall be counted as one-half (1/2) pupil.

The result determined under this STEP may not be included in the school corporation's adjusted base levy for the year following the year in which the result applies or in the school corporation's determination of tuition support.

(c) For purposes of this section, "total assessed value", as adjusted under subsection (d), with respect to a school corporation means the total assessed value of all taxable property for ad valorem property taxes first due and payable during that year.

(d) The department of local government finance may adjust the total assessed value of a school corporation to eliminate the effects of appeals and settlements arising from a statewide general reassessment of real property.

(e) The department of local government finance shall annually

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1 establish an assessment ratio and adjustment factor for each school
 2 corporation to be used upon the review and recommendation of the
 3 budget committee. The information compiled, including background
 4 documentation, may not be used in a:

- 5 (1) review of an assessment under IC 6-1.1-8, IC 6-1.1-13,
 6 IC 6-1.1-14, or IC 6-1.1-15;
- 7 (2) petition for a correction of error under IC 6-1.1-15-12; or
- 8 (3) petition for refund under IC 6-1.1-26.

9 (f) All tax rates shall be computed by rounding the rate to the
 10 nearest one-hundredth of a cent (\$0.0001). All tax levies shall be
 11 computed by rounding the levy to the nearest dollar amount.

12 SECTION 2. IC 6-1.1-19-12 IS ADDED TO THE INDIANA CODE
 13 AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE
 14 JANUARY 1, 2003 (RETROACTIVE)]: **Sec. 12. (a) Not later than**
 15 **the date on which the department of local government finance**
 16 **certifies a final action under IC 6-1.1-17-16, the department of**
 17 **local government finance shall provide to each county auditor the**
 18 **amount determined under IC 20-5.5-7-3(c)(6) for each charter**
 19 **school attended by a student who has legal settlement in both the**
 20 **county and a school corporation located in the county.**

21 **(b) This subsection applies beginning with the first distribution**
 22 **of property taxes to a school corporation after December 31, 2003.**
 23 **At the same time a county auditor distributes property taxes to a**
 24 **school corporation, the county auditor shall distribute to a charter**
 25 **school the amount described in subsection (a) for the charter**
 26 **school.**

27 **(c) A distribution of property taxes to a school corporation does**
 28 **not include an amount distributed under subsection (b).**

29 SECTION 3. IC 20-5.5-1-1.3 IS ADDED TO THE INDIANA
 30 CODE AS A **NEW SECTION** TO READ AS FOLLOWS
 31 [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: **Sec. 1.3.**
 32 **"ADM of the previous year" or "ADM of the prior year" has the**
 33 **meaning set forth in IC 21-3-1.6-1.1(m).**

34 SECTION 4. IC 20-5.5-1-1.5 IS ADDED TO THE INDIANA
 35 CODE AS A **NEW SECTION** TO READ AS FOLLOWS
 36 [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: **Sec. 1.5.**
 37 **"Average daily membership" or "ADM" has the meaning set forth**
 38 **in IC 21-3-1.6-1.1(d).**

39 SECTION 5. IC 20-5.5-1-5.5 IS ADDED TO THE INDIANA
 40 CODE AS A **NEW SECTION** TO READ AS FOLLOWS
 41 [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: **Sec. 5.5.**
 42 **"Current ADM" has the meaning set forth in IC 21-3-1.6-1.1(n).**



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SECTION 6. IC 20-5.5-7-3, AS ADDED BY P.L.100-2001, SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003 (RETROACTIVE)]: Sec. 3. (a) Not later than the date established by the department for determining average daily membership under IC 21-3-1.6-1.1(d), **and after May 31**, the organizer shall submit to the department the following information **on a form prescribed by the department**:

- (1) The number of students enrolled in the charter school.
- (2) The name **and address** of each student. **and**
- (3) **The name of the school corporation in which the student resides: has legal settlement.**
- (4) **The name of the school corporation, if any, that the student attended during the immediately preceding school year.**
- (5) **The grade level in which the student will enroll in the charter school.**

The department shall verify the accuracy of the information reported.

(b) After verifying the accuracy of the information reported under subsection (a); **This subsection applies after December 31 of the calendar year in which a charter school begins its initial operation.** The department shall distribute ~~the following~~ to the organizer

- (1) Tuition support and other state funding for any purpose for students in the charter school:
- (2) A proportionate share of state and federal funds received for students with disabilities or staff services for students with disabilities for the students with disabilities enrolled in the charter school:
- (3) A proportionate share of funds received under federal or state categorical aid programs for students who are eligible for the federal or state aid enrolled in the charter school: **the amount determined under IC 21-3-1.7 for the charter school. The department shall make a distribution under this subsection at the same time and in the same manner as the department makes a distribution under IC 21-3-1.7.**

(c) Not later than the date established by the department for determining average daily membership under IC 21-3-1.6-1.1(d), the organizer shall submit to each governing body a report of the total number and names of students from the governing body's school corporation enrolled in the charter school. Upon verifying the accuracy of the information reported, the governing body shall distribute to the organizer a proportionate share of local support for the students



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enrolled in the charter school in an amount determined under STEP THREE of the following formula:

STEP ONE: Add the revenues obtained by the school corporation's:

(A) general fund property tax levy; and

(B) general fund auto excise and financial institutions tax.

STEP TWO: Divide the sum determined under STEP ONE by the total number of students enrolled in the school corporation:

STEP THREE: Multiply the quotient determined under STEP TWO by the number of students enrolled in the charter school.

(d) The distribution under subsection (b) shall be made on the same schedule as the schedule on which the school corporation receives the funds. The department shall provide to the department of local government finance the following information:

(1) For each county, the number of students who:

(A) have legal settlement in the county; and

(B) attend a charter school.

(2) The school corporation in which each student described in subdivision (1) has legal settlement.

(3) The charter school that a student described in subdivision (1) attends and the county in which the charter school is located.

(4) The amount determined under IC 6-1.1-19-1.5(b) STEP SEVEN for each school corporation described in subdivision (2).

(5) The amount determined under STEP TWO of the following formula:

STEP ONE: Determine the product of:

(A) the amount determined under IC 21-3-1.7-6.7(c)

STEP SIX for a charter school described in subdivision

(3); multiplied by

(B) thirty-five hundredths (0.35).

STEP TWO: Determine the product of:

(A) the STEP ONE amount; multiplied by

(B) the current ADM of a charter school described in subdivision (3).

(6) The amount determined under STEP THREE of the following formula:

STEP ONE: Determine the number of students described in subdivision (1) who:

(A) attend the same charter school; and

(B) have legal settlement in the same school corporation



located in the county.

STEP TWO: Determine the subdivision (5) STEP ONE amount for a charter school described in STEP ONE (A).

STEP THREE: Determine the product of:

(A) the STEP ONE amount; multiplied by

(B) the STEP TWO amount.

SECTION 7. IC 20-5.5-7-3.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003 (RETROACTIVE)]: **Sec. 3.5. (a) This section applies to a conversion charter school.**

(b) Not later than the date established by the department for determining average daily membership under IC 21-3-1.6-1.1(d), and after July 2, the organizer shall submit to a governing body on a form prescribed by the department the information reported under section 3(a) of this chapter for each student who:

(1) is enrolled in the organizer's conversion charter school; and

(2) has legal settlement in the governing body's school corporation.

(c) Beginning not more than sixty (60) days after the department receives the information reported under section 3(a) of this chapter, the department shall distribute to the organizer:

(1) tuition support and other state funding for any purpose for students enrolled in the conversion charter school;

(2) a proportionate share of state and federal funds received for students with disabilities or staff services for students with disabilities for students with disabilities enrolled in the conversion charter school; and

(3) a proportionate share of funds received under federal or state categorical aid programs for students who are eligible for the federal or state categorical aid and are enrolled in the conversion charter school;

for the second six (6) months of the calendar year in which the conversion charter school is established. The department shall make a distribution under this subsection at the same time and in the same manner as the department makes a distribution to the governing body of the school corporation in which the conversion charter school is located. A distribution to the governing body of the school corporation in which the conversion charter school is located is reduced by the amount distributed to the conversion charter school. This subsection does not apply to a conversion charter school after December 31 of the calendar year in which the

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conversion charter school is established.

(d) The subsection applies beginning with the first property tax distribution described in IC 6-1.1-27-1 to the governing body of the school corporation in which a conversion charter school is located after the governing body receives the information reported under subsection (b). Not more than ten (10) days after the governing body receives a property tax distribution described in IC 6-1.1-27-1, the governing body shall distribute to the conversion charter school the amount determined under STEP THREE of the following formula:

STEP ONE: Determine the quotient of:

(A) the number of students who:

- (i) are enrolled in the conversion charter school; and
- (ii) were counted in the ADM of the previous year for the school corporation in which the conversion charter school is located; divided by

(B) the current ADM of the school corporation in which the conversion charter school is located.

In determining the number of students enrolled under clause (A)(i), each kindergarten pupil shall be counted as one-half (1/2) pupil.

STEP TWO: Determine the total amount of the following revenues to which the school corporation in which the conversion charter school is located is entitled for the second six (6) months of the calendar year in which the conversion charter school is established:

(A) Revenues obtained by the school corporation's:

- (i) general fund property tax levy; and
- (ii) excise tax revenue (as defined in IC 21-3-1.7-2).

(B) The school corporation's certified distribution of county adjusted gross income tax revenue under IC 6-3.5-1.1 that is to be used as property tax replacement credits.

STEP THREE: Determine the product of:

- (A) the STEP ONE amount; multiplied by
- (B) the STEP TWO amount.

(e) Subsection (d) does not apply to a conversion charter school after the later of the following dates:

- (1) December 31 of the calendar year in which the conversion charter school is established.
- (2) Ten (10) days after the date on which the governing body of the school corporation in which the conversion charter



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school is located receives the final distribution described in IC 6-1.1-27-1 of revenues to which the school corporation in which the conversion charter school is located is entitled for the second six (6) months of the calendar year in which the conversion charter school is established.

(f) This subsection applies during the second six (6) months of the calendar year in which a conversion charter school is established. A conversion charter school may apply for an advance from the common school loan fund under IC 20-5.5-7.5 in the amount determined under STEP THREE of the following formula:

STEP ONE: Determined the result under subsection (d) STEP ONE (A).

STEP TWO: Determine the difference between:

- (A) the conversion charter school's current ADM; minus
- (B) the STEP ONE amount.

STEP THREE: Determine the product of:

- (A) the subsection (d) STEP TWO amount; multiplied by
- (B) the STEP TWO amount.

SECTION 8. IC 20-5.5-7-5, AS ADDED BY P.L.100-2001, SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003 (RETROACTIVE)]: Sec. 5. (a) An organizer may apply for and accept for a charter school:

- (1) independent financial grants; or
- (2) funds from public or private sources other than the department.

(b) An organizer shall make all applications, enter into all contracts, and sign all documents necessary for the receipt by a charter school of aid, money, or property from the federal government.

SECTION 9. IC 20-5.5-7-9 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003 (RETROACTIVE)]: Sec. 9. (a) This section applies if:

(1) a sponsor:

- (A) revokes a charter before the end of the term for which the charter is granted; or
- (B) does not renew a charter; or

(2) a charter school otherwise terminates its charter before the end of the term for which the charter is granted.

(b) Any local or state funds that remain to be distributed to the charter school in the calendar year in which an event described in subsection (a) occurs shall be distributed as follows:



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(1) First, to the common school loan fund to repay any existing obligations of the charter school under IC 20-5.5-7.5.

(2) Second, to the entities that distributed the funds to the charter school. A distribution under this subdivision shall be on a pro rata basis.

(c) If the funds described in subsection (b) are insufficient to repay all existing obligations of the charter school under IC 20-5.5-7.5, the state shall repay any remaining obligations of the charter school under IC 20-5.5-7.5 from the amount appropriated for distributions under IC 21-3-1.7.

SECTION 10. IC 20-5.5-7.5 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003 (RETROACTIVE)]:

Chapter 7.5. Charter School Advancement Account

Sec. 1. The charter school advancement account is established within the common school fund.

Sec. 2. As used in this chapter, "operational costs" means costs other than construction costs incurred by:

(1) a charter school other than a conversion charter school during the second six (6) months of the calendar year in which the charter school begins its initial operation; or

(2) a charter school, including a conversion charter school, during the second six (6) months of a calendar year in which the charter school's most recent enrollment reported under IC 20-5.5-7-3(a) divided by the charter school's previous year's ADM is at least one and fifteen-hundredths (1.15).

Sec. 3. The board shall advance money to charter schools from the common school fund to be used for operational costs.

Sec. 4. (a) The amount of an advance under section 3 of this chapter for operational costs described in section 2(1) of this chapter may not exceed the amount determined under STEP THREE of the following formula:

STEP ONE: Determine the product of:

(A) the charter school's enrollment reported under IC 20-5.5-7-3(a); multiplied by

(B) the statewide average amount determined under IC 21-3-1.7-6.7(c) STEP SIX.

STEP TWO: Determine the quotient of:

(A) the STEP ONE amount; divided by

(B) two (2).

STEP THREE: Determine the product of:

(A) the STEP TWO amount; multiplied by



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(B) one and fifteen-hundredths (1.15).

(b) The amount of an advance under section 3 of this chapter for operational costs described in section 2(2) of this chapter may not exceed the amount determined under STEP FOUR of the following formula:

STEP ONE: Determine the quotient of:

- (A) the amount determined under IC 21-3-1.7-6.7(c) STEP SIX for the charter school; divided by
- (B) two (2).

STEP TWO: Determine the difference between:

- (A) the charter school's current ADM; minus
- (B) the charter school's ADM of the previous year.

STEP THREE: Determine the product of:

- (A) the STEP ONE amount; multiplied by
- (B) the STEP TWO amount.

STEP FOUR: Determine the product of:

- (A) the STEP THREE amount; multiplied by
- (B) one and fifteen-hundredths (1.15).

Sec. 5. (a) Money advanced to a charter school under this chapter may be advanced for a period not to exceed twenty (20) years. A charter school to which money is advanced under this chapter must pay interest on the advance at the rate determined under section 6 of this chapter. The board shall provide that the advances are prepayable by the charter school or by the general assembly at any time.

(b) This subsection applies if the general assembly prepays an advance of money under this chapter. Any prepayment under this subsection must be deducted from the amount appropriated for distributions under IC 21-3-1.7.

(c) The board, after consulting with the department and upon approval of the budget agency, shall establish the terms of an advance before the date on which the advance is made. The terms must include a provision allowing the state to withhold funds due to a charter school to which an advance is made until the advance, including interest accrued on the advance, is paid.

Sec. 6. The state board of finance shall establish periodically the rate of interest payable on advances of money under this chapter. An interest rate established under this section may not:

- (1) be less than one percent (1%); and
- (2) exceed four percent (4%).

Sec. 7. (a) To ensure timely payment of an advance under this chapter according to the terms of the advance, the state may



1 withhold from funds due to the charter school to which the
2 advance is made an amount necessary to pay the advance and the
3 interest on the advance.

4 (b) If the state withholds funds under subsection (a), the state
5 first shall withhold funds from the distribution of state tuition
6 support to the charter school to which the advance is made. If the
7 tuition support distribution is unavailable or inadequate, the state
8 may withhold funds from any other distribution of state funds to
9 the charter school.

10 Sec. 8. A charter school that desires to obtain an advance under
11 this chapter must submit an application to the board on a form
12 prescribed by the board after consulting with the department and
13 the budget agency for the board to determine the amount of the
14 advance.

15 Sec. 9. (a) An advance under this chapter to a charter school is
16 not an obligation of the charter school within the meaning of any
17 constitutional limitation on or prohibition against indebtedness.
18 This chapter does not relieve the organizer of the charter school to
19 qualify the charter school for state tuition support.

20 (b) An agreement with the board to collect and pay over
21 amounts deducted from state tuition support for the benefit of
22 another party is not a debt of the state within the meaning of any
23 constitutional limitation on or prohibition against state
24 indebtedness.

25 Sec. 10. Priority of advances for operational costs must be on a
26 basis determined by the board after consulting with the
27 department and the budget agency.

28 Sec. 11. The board shall annually set aside from the principal of
29 the common school loan fund four million dollars (\$4,000,000) for
30 advances made under this chapter. If the total amount of advances
31 made under this chapter in a calendar year is less than four million
32 dollars (\$4,000,000), the unused funds remain in the common
33 school fund. The total amount of advances made under this chapter
34 in a calendar year may not exceed four million dollars (\$4,000,000).
35 This section expires June 30, 2006.

36 SECTION 11. IC 20-5.5-8-5, AS ADDED BY P.L.100-2001,
37 SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
38 JANUARY 1, 2002 (RETROACTIVE)]: Sec. 5. The following statutes
39 and rules and guidelines adopted under the following statutes apply to
40 a charter school:

- 41 (1) IC 5-11-1-9 (required audits by the state board of accounts).
- 42 (2) IC 20-1-1.5 (unified accounting system).



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- 1 (3) IC 20-1-6 (special education).
- 2 (4) IC 20-5-2-7 and IC 20-6.1-3-7.1 (criminal history).
- 3 (5) IC 20-5-2-3 (subject to laws requiring regulation by state
- 4 agencies).
- 5 (6) IC 20-6.1-4-15 (void teacher contract when two (2) contracts
- 6 are signed).
- 7 (7) IC 20-6.1-6-11 (nondiscrimination for teacher marital status).
- 8 (8) IC 20-6.1-6-13 (teacher freedom of association).
- 9 (9) IC 20-6.1-6-15 (school counselor immunity).
- 10 (10) For conversion charter schools only, IC 20-6.1-4, IC 20-6.1-5
- 11 and IC 20-6.1-6.
- 12 (11) IC 20-8.1-3 (compulsory school attendance).
- 13 (12) IC 20-8.1-4 (limitations on employment of children).
- 14 (13) IC 20-8.1-5.1-13, IC 20-8.1-5.1-15, and IC 20-8.1-5.1-15.5
- 15 (student due process and judicial review).
- 16 (14) IC 20-8.1-5.1-10 (firearms and deadly weapons).
- 17 (15) IC 20-8.1-7 and IC 20-8.1-8 (health and safety measures).
- 18 ~~(16) IC 20-8.1-9-3 (exemption from school fees for eligible~~
- 19 ~~families and fee reimbursement).~~
- 20 ~~(17) IC 20-8.1-9-5 (notice to parents concerning financial~~
- 21 ~~assistance).~~
- 22 ~~(18)~~ (16) IC 20-8.1-12 (reporting of student violations of law).
- 23 ~~(19)~~ (17) IC 20-10.1-2-4 and IC 20-10.1-2-6 (patriotic
- 24 commemorative observances).
- 25 ~~(20)~~ (18) IC 20-10.1-16, IC 20-10.1-17, or any other statute, rule,
- 26 or guideline related to standardized testing (assessment programs,
- 27 including remediation under the assessment programs).
- 28 ~~(21)~~ (19) IC 20-10.1-22.4 (parental access to education records).
- 29 ~~(22)~~ (20) IC 20-10.2 (accountability for school performance and
- 30 improvement).

31 SECTION 12. IC 20-8.1-9-0.3 IS ADDED TO THE INDIANA
 32 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
 33 [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: **Sec. 0.3. As**
 34 **used in this chapter, "governing body" includes the organizer of a**
 35 **charter school.**

36 SECTION 13. IC 20-8.1-9-0.7 IS ADDED TO THE INDIANA
 37 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
 38 [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: **Sec. 0.7. As**
 39 **used in this chapter, "school corporation" includes a charter**
 40 **school.**

41 SECTION 14. IC 20-8.1-9-3 IS AMENDED TO READ AS
 42 FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]:



1 Sec. 3. (a) If a parent of a child or an emancipated minor who is
 2 enrolled in a public school, in grades K-12, meets the financial
 3 eligibility standard under section 2 of this chapter, the parent or the
 4 emancipated minor may not be required to pay the fees for school
 5 books, supplies, or other required class fees. Such fees shall be paid by
 6 the school corporation in which the child ~~resides~~ attends.

7 (b) The school corporation may apply for a reimbursement under
 8 section 9 of this chapter from the department of the costs incurred
 9 under subsection (a).

10 (c) To the extent the reimbursement received by the school
 11 corporation is less than the textbook rental fee assessed for textbooks
 12 that have been adopted under IC 20-10.1-9-1 or waived under
 13 IC 20-10.1-9-27, the school corporation may request that the parent or
 14 emancipated minor pay the balance of this amount.

15 SECTION 15. IC 21-1-4-1 IS AMENDED TO READ AS
 16 FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]:

17 Sec. 1. (a) It is the duty of the general assembly under the Constitution
 18 of the State of Indiana to encourage by all suitable means moral,
 19 intellectual, scientific, and agricultural improvement and to provide, by
 20 law, for a general and uniform system of common schools, wherein
 21 tuition shall be without charge, and equally open to all.

22 (b) It is the intent of the general assembly that:

23 (1) the common school fund should be used to:

24 (A) assist school corporations and school townships in
 25 financing their school building construction and educational
 26 technology programs; and

27 (B) assist charter schools in financing their operations;

28 as authorized by law and under circumstances such that the
 29 principal of the fund remains inviolate;

30 (2) to the end described in subdivision (1), the common school
 31 fund may be used to make advances to:

32 (A) school corporations and school townships under
 33 IC 21-1-5; and

34 (B) charter schools under IC 20-5.5-7-3.5(f) and
 35 IC 20-5.5-7.5; and

36 (3) this chapter is in furtherance of the duties which are imposed
 37 exclusively upon the general assembly by the Constitution of the
 38 State of Indiana in connection with the maintenance of a general
 39 and uniform system of common schools and the investment and
 40 reinvestment of the common school fund and shall be liberally
 41 construed to carry out the purposes of the Constitution of the State
 42 of Indiana.



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(c) In addition, the common school fund may be used to make advances under IC 21-1-5.1.

SECTION 16. IC 21-1-30-0.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: **Sec. 0.5 As used in this chapter, "school corporation" includes a charter school established under IC 20-5.5.**

SECTION 17. IC 21-1-30-3, AS AMENDED BY P.L.291-2001, SECTION 91, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 3. (a) The amount to be distributed to a school corporation under this chapter is the amount determined by the following formula:

STEP ONE: Determine the applicable target pupil teacher ratio for the school corporation as follows:

(A) If the school corporation's at-risk index is less than seventeen hundredths (0.17), the school corporation's target pupil teacher ratio is eighteen to one (18:1).

(B) If the school corporation's at-risk index is at least seventeen hundredths (0.17) but less than twenty-seven hundredths (0.27), the school corporation's target pupil teacher ratio is fifteen (15) plus the result determined in item (iii):

(i) Determine the result of twenty-seven hundredths (0.27) minus the school corporation's at-risk index.

(ii) Determine the item (i) result divided by one-tenth (0.1).

(iii) Determine the item (ii) result multiplied by three (3).

(C) If the school corporation's at-risk index is at least twenty-seven hundredths (0.27), the school corporation's target pupil teacher ratio is fifteen to one (15:1).

STEP TWO: Determine the result of:

(A) the ADM of the school corporation, as determined under section 2(2) of this chapter, in kindergarten through grade 3 for the current school year; divided by

(B) the school corporation's target pupil teacher ratio, as determined in STEP ONE.

STEP THREE: Determine the result of:

(A) the total regular general fund revenue (the amount determined in ~~STEP ONE of IC 21-3-1.7-8~~) **IC 21-3-1.7-8(b) STEP ONE**) multiplied by seventy-five hundredths (0.75); divided by

(B) the school corporation's total ADM.

STEP FOUR: Determine the result of:

(A) the STEP THREE result; multiplied by



- 1 (B) the ADM of the school corporation, as determined under
 2 section 2(2) of this chapter in kindergarten through grade 3 for
 3 the current school year.
 4 STEP FIVE: Determine the result of:
 5 (A) the STEP FOUR result; divided by
 6 (B) the staff cost amount.
 7 STEP SIX: Determine the greater of zero (0) or the result of:
 8 (A) the STEP TWO amount; minus
 9 (B) the STEP FIVE amount.
 10 STEP SEVEN: Determine the result of:
 11 (A) the STEP SIX amount; multiplied by
 12 (B) the staff cost amount.
 13 STEP EIGHT: Determine the greater of the STEP SEVEN amount
 14 or the school corporation's guaranteed amount.
 15 STEP NINE: If the amount the school corporation received under
 16 this chapter in the previous calendar year is greater than zero (0),
 17 determine the lesser of:
 18 (A) the STEP EIGHT amount; or
 19 (B) the amount the school corporation received under this
 20 chapter for the previous calendar year multiplied by one
 21 hundred seven and one-half percent (107.5%).
 22 For 2000 calculations, the amount the school corporation received
 23 under this chapter for the previous calendar year is the 1999
 24 calendar year allocation, before any penalty was assessed under
 25 this chapter.
 26 (b) The amount received under this chapter shall be devoted to
 27 reducing class size in kindergarten through grade 3. A school
 28 corporation shall compile class size data for kindergarten through grade
 29 3 and report the data to the department of education for purposes of
 30 maintaining compliance with this chapter.
 31 SECTION 18. IC 21-2-4-7, AS ADDED BY P.L.178-2002,
 32 SECTION 89, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 33 JANUARY 1, 2002 (RETROACTIVE)]: Sec. 7. (a) The governing
 34 body of a school corporation may adopt a resolution to transfer after
 35 June 30, 2002, and before January 1, 2003, money that is:
 36 (1) not greater than the remainder of the amount described in
 37 ~~IC 21-3-1.7-8~~ **IC 21-3-1.7-8(b)** STEP TWO (C) minus the
 38 amount transferred under IC 21-2-11.5-5(a) and
 39 IC 21-2-15-13.1(a); and
 40 (2) on deposit in the school corporation's debt service fund;
 41 to the school corporation's general fund for use for any general fund
 42 purpose.



(b) The governing body of a school corporation may adopt a resolution to transfer after December 31, 2002, and before July 1, 2003, money that is:

(1) not greater than the remainder of the amount described in ~~IC 21-3-1.7-8~~ **IC 21-3-1.7-8(b)** STEP TWO (D) minus the amount transferred under IC 21-2-11.5-5(b) and IC 21-2-15-13.1(b); and

(2) on deposit in the school corporation's debt service fund; to the school corporation's general fund for use for any general fund purpose.

(c) This section expires July 1, 2003.

SECTION 19. IC 21-2-11.5-5, AS ADDED BY P.L.178-2002, SECTION 90, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 5. (a) The governing body of a school corporation may adopt a resolution to transfer after June 30, 2002, and before January 1, 2003, money that is:

(1) not greater than the remainder of the amount described in ~~IC 21-3-1.7-8~~ **IC 21-3-1.7-8(b)** STEP TWO (C) minus the amount transferred under IC 21-2-4-7(a) and IC 21-2-15-13.1(a); and

(2) on deposit in the school corporation's:

(A) transportation fund;

(B) school bus replacement fund; or

(C) both the transportation fund and school bus replacement fund;

to the school corporation's general fund for use for any general fund purpose.

(b) The governing body of a school corporation may adopt a resolution to transfer after December 31, 2002, and before July 1, 2003, money that is:

(1) not greater than the remainder of the amount described in ~~IC 21-3-1.7-8~~ **IC 21-3-1.7-8(b)** STEP TWO (D) minus the amount transferred under IC 21-2-4-7(b) and IC 21-2-15-13.1(b); and

(2) on deposit in the school corporation's:

(A) transportation fund;

(B) school bus replacement fund; or

(C) both the transportation fund and school bus replacement fund;

to the school corporation's general fund for use for any general fund purpose.

(c) This section expires July 1, 2003.



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SECTION 20. IC 21-2-15-13.1, AS ADDED BY P.L.178-2002, SECTION 93, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 13.1. (a) The governing body of a school corporation may adopt a resolution to transfer after June 30, 2002, and before January 1, 2003, money that is:

(1) not greater than the remainder of the amount described in ~~IC 21-3-1.7-8~~ **IC 21-3-1.7-8(b)** STEP TWO (C) minus the amount transferred under IC 21-2-4-7(a) and IC 21-2-11.5-5(a); and

(2) on deposit in the school corporation's capital projects fund; to the school corporation's general fund for use for any general fund purpose.

(b) The governing body of a school corporation may adopt a resolution to transfer after December 31, 2002, and before July 1, 2003, money that is:

(1) not greater than the remainder of the amount described in ~~IC 21-3-1.7-8~~ **IC 21-3-1.7-8(b)** STEP TWO (D) minus the amount transferred under IC 21-2-4-7(b) and IC 21-2-11.5-5(b); and

(2) on deposit in the school corporation's capital projects fund; to the school corporation's general fund for use for any general fund purpose.

(c) This section expires July 1, 2003.

SECTION 21. IC 21-3-1.6-1.1, AS AMENDED BY P.L.111-2002, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 1.1. As used in this chapter:

(a) "School corporation" means any local public school corporation established under Indiana law. **For purposes of subsection (d), the term includes a charter school established under IC 20-5.5.**

(b) "School year" means a year beginning July 1 and ending the next succeeding June 30.

(c) "State distribution" due a school corporation means the amount of state funds to be distributed to a school corporation in any calendar year under this chapter.

(d) "Average daily membership" or "ADM" of a school corporation means the number of eligible pupils enrolled in the school corporation or in a transferee corporation on a day to be fixed annually by the Indiana state board of education. Such day shall fall within the first thirty (30) days of the school term. If, however, extreme patterns of student in-migration, illness, natural disaster, or other unusual conditions in a particular school corporation's enrollment on the



particular day thus fixed, cause the enrollment to be unrepresentative of the school corporation's enrollment throughout a school year, the Indiana state board of education may designate another day for determining the school corporation's enrollment. The Indiana state board of education shall monitor changes that occur after the fall count, in the number of students enrolled in programs for children with disabilities and shall, before December 2 of that same year, make an adjusted count of students enrolled in programs for children with disabilities. The superintendent of public instruction shall certify the adjusted count to the budget committee before February 5 of the following year. In determining the ADM, each kindergarten pupil shall be counted as one-half (1/2) pupil. Where a school corporation commences kindergarten in a school year, the ADM of the current and prior calendar years shall be adjusted to reflect the enrollment of the kindergarten pupils. In determining the ADM, each pupil enrolled in a public school and a nonpublic school is to be counted on a full-time equivalency basis as provided in section 1.2 of this chapter. ~~"Current ADM" of a school corporation, used in computing its state distribution in a calendar year means the ADM of the school year ending in the calendar year. "ADM of the previous year" or "ADM of the prior year" of a school corporation used in computing its state distribution in a calendar year means the ADM of the school corporation for the school year ending in the preceding calendar year.~~

(e) "Additional count" of a school corporation, or comparable language, means the aggregate of the additional counts of the school corporation for certain pupils as set out in section 3 of this chapter (repealed) and as determined at the times for calculating ADM. "Current additional count" means the additional count of the school corporation for the school year ending in the calendar year. "Prior year additional count" of a school corporation used in computing its state distribution in a calendar year means the additional count of the school corporation for the school year ending in the preceding calendar year.

(f) "Adjusted assessed valuation" of any school corporation used in computing state distribution for a calendar year means the assessed valuation in the school corporation, adjusted as provided in IC 6-1.1-34. The amount of the valuation shall also be adjusted downward by the department of local government finance to the extent it consists of real or personal property owned by a railroad or other corporation under the jurisdiction of a federal court under the federal bankruptcy laws (11 U.S.C. 101 et seq.) if as a result of the corporation being involved in a bankruptcy proceeding the corporation is delinquent in payment of its Indiana real and personal property taxes



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for the year to which the valuation applies. If the railroad or other corporation in some subsequent calendar year makes payment of the delinquent taxes, then the state superintendent of public instruction shall prescribe adjustments in the distributions of state funds pursuant to this chapter as are thereafter to become due to a school corporation affected by the delinquency as will ensure that the school corporation will not have been unjustly enriched under the provisions of P.L.382-1987(ss). The amount of the valuation shall also be adjusted downward by the department of local government finance to the extent it consists of real or personal property described in IC 6-1.1-17-0.5(b).

(g) "General fund" means a school corporation fund established under IC 21-2-11-2.

(h) "Teacher" means every person who is required as a condition of employment by a school corporation to hold a teacher's license issued or recognized by the state, except substitutes and any person paid entirely from federal funds.

(i) "Teacher ratio" of a school corporation used in computing state distribution in any calendar year means the ratio assigned to the school corporation pursuant to section 2 of this chapter.

(j) "Eligible pupil" means a pupil enrolled in a school corporation if:

(1) the school corporation has the responsibility to educate the pupil in its public schools without the payment of tuition;

(2) subject to subdivision (5), the school corporation has the responsibility to pay transfer tuition under IC 20-8.1-6.1, because the pupil is transferred for education to another school corporation (the "transferee corporation");

(3) the pupil is enrolled in a school corporation as a transfer student under IC 20-8.1-6.1-3 or entitled to be counted for ADM or additional count purposes as a resident of the school corporation when attending its schools under any other applicable law or regulation;

(4) the state is responsible for the payment of transfer tuition to the school corporation for the pupil under IC 20-8.1-6.1; or

(5) all of the following apply:

(A) The school corporation is a transferee corporation.

(B) The pupil does not qualify as a qualified pupil in the transferee corporation under subdivision (3) or (4).

(C) The transferee corporation's attendance area includes a state licensed private or public health care facility, child care facility, or foster family home where the pupil was placed:

(i) by or with the consent of the division of family and

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- children;
- (ii) by a court order;
- (iii) by a child placing agency licensed by the division of family and children; or
- (iv) by a parent or guardian under IC 20-8.1-6.1-5.

For purposes of IC 21-3-12, the term includes a student enrolled in a charter school.

(k) "General fund budget" of a school corporation means the amount of the budget approved for a given year by the department of local government finance and used by the department of local government finance in certifying a school corporation's general fund tax levy and tax rate for the school corporation's general fund as provided for in IC 21-2-11.

(l) "At risk index" means the **following**:

(1) For a school corporation, the sum of:

~~(1)~~ **(A)** the product of sixteen-hundredths (0.16) multiplied by the percentage of families in the school corporation with children who are less than eighteen (18) years of age and who have a family income below the federal income poverty level (as defined in IC 12-15-2-1);

~~(2)~~ **(B)** the product of four-tenths (0.4) multiplied by the percentage of families in the school corporation with a single parent; and

~~(3)~~ **(C)** the product of forty-four hundredths (0.44) multiplied by the percentage of the population in the school corporation who are at least twenty (20) years of age with less than a twelfth grade education.

The data to be used in making the calculations under this ~~subsection~~ **subdivision** must be the data from the 1990 federal decennial census.

(2) For a charter school, two thousand and fifteen ten-thousandths (0.2015).

(m) "ADM of the previous year" or "ADM of the prior year" used in computing a state distribution in a calendar year means:

(1) For a:

(A) school corporation; or

(B) charter school beginning in the second calendar year after the calendar year in which the charter school begins its initial operation;

the ADM for the school year ending in the preceding calendar year.

(2) For a conversion charter school in the calendar year after



the calendar year in which the conversion charter school is established, the ADM for the school year ending in the preceding calendar year of the school that converted to the charter school under IC 20-5.5-11.

(n) "Current ADM" used in computing a state distribution in a calendar year means the ADM for the school year ending in the calendar year.

SECTION 22. IC 21-3-1.7-2, AS AMENDED BY P.L.192-2002(ss), SECTION 164, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 2. As used in this chapter, "excise tax revenue" means the amount of:

- (1) financial institution excise tax revenue (IC 6-5.5); plus
- (2) the motor vehicle excise taxes (IC 6-6-5) and the commercial vehicle excise taxes (IC 6-6-5.5);

the school corporation received for deposit in the school corporation's general fund in a year. **The excise tax revenue for a charter school is zero (0).**

SECTION 23. IC 21-3-1.7-3.1, AS AMENDED BY P.L.85-2002, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 3.1. (a) As used in this chapter, "previous year revenue" for calculations with respect to a school corporation equals:

- (1) the school corporation's tuition support for regular programs, including basic tuition support, and excluding:
 - (A) special education grants;
 - (B) vocational education grants;
 - (C) at-risk programs;
 - (D) the enrollment adjustment grant;
 - (E) for 1999 and thereafter, the academic honors diploma award; and
 - (F) for 2001 and thereafter, the primetime distribution;
 for the year that precedes the current year; plus
 - (2) the school corporation's tuition support levy for the year that precedes the current year before the reductions required under section 5(1) and 5(2) of this chapter; plus
 - (3) distributions received by the school corporation under IC 6-1.1-21.6 for the year that precedes the current year; plus
 - (4) the school corporation's excise tax revenue for the year that precedes the current year by two (2) years; minus
 - (5) an amount equal to the reduction in the school corporation's tuition support under subsection (b) or IC 20-10.1-2-1, or both.
- (b) A school corporation's previous year revenue shall be reduced



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1 if:

- 2 (1) the school corporation's state tuition support for special or
 3 vocational education was reduced as a result of a complaint being
 4 filed with the department of education after December 31, 1988,
 5 because the school program overstated the number of children
 6 enrolled in special or vocational education programs; and
 7 (2) the school corporation's previous year revenue has not been
 8 reduced under this subsection more than one (1) time because of
 9 a given overstatement.

10 The amount of the reduction equals the amount the school corporation
 11 would have received in tuition support for special and vocational
 12 education because of the overstatement.

13 **(c) A school corporation's previous year revenue shall be**
 14 **reduced if an existing elementary or secondary school located in**
 15 **the school corporation converts to a charter school under**
 16 **IC 20-5.5-11. The amount of the reduction equals the product of:**

- 17 **(1) the sum of the amounts distributed to the conversion**
 18 **charter school under IC 20-5.5-7-3.5(c) and**
 19 **IC 20-5.5-7-3.5(d); multiplied by**
 20 **(2) two (2).**

21 SECTION 24. IC 21-3-1.7-6.7, AS AMENDED BY P.L.111-2002,
 22 SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 23 JANUARY 1, 2002 (RETROACTIVE)]: Sec. 6.7. (a) For each school
 24 corporation **that is not a charter school**, the index used in subsection
 25 ~~(b)~~ (c) is determined under the following STEPS:

26 STEP ONE: Determine the greater of zero (0) or the result of the
 27 following:

- 28 (1) Multiply the school corporation's at risk index by
 29 twenty-three hundredths (0.23) in 2002 and twenty-five
 30 hundredths (0.25) in 2003.
 31 (2) Divide the result under subdivision (1) by three thousand
 32 seven hundred thirty-six ten-thousandths (0.3736).
 33 (3) Subtract three hundred sixty-four ten-thousandths (0.0364)
 34 in 2002 and three hundred ninety-five ten-thousandths
 35 (0.0395) in 2003 from the result under subdivision (2).

36 STEP TWO: Determine the greater of zero (0) or the result of the
 37 following:

- 38 (1) Multiply the percentage of the school corporation's
 39 students who were eligible for free lunches in the school year
 40 ending in 2001 by twenty-three hundredths (0.23) in 2002 and
 41 twenty-five hundredths (0.25) in 2003.
 42 (2) Divide the result under subdivision (1) by seven hundred



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- 1 twenty-three thousandths (0.723).
 2 STEP THREE: Determine the greater of zero (0) or the result of
 3 the following:
 4 (1) Multiply the percentage of the school corporation's
 5 students who were classified as limited English proficient in
 6 the school year ending in 2000 by twenty-three hundredths
 7 (0.23) in 2002 and twenty-five hundredths (0.25) in 2003.
 8 (2) Divide the result under subdivision (1) by one thousand
 9 seven hundred fifteen ten-thousandths (0.1715).
 10 STEP FOUR: Determine the result of:
 11 (1) the sum of the results in STEPS ONE through THREE;
 12 divided by
 13 (2) three (3).
 14 STEP FIVE: Determine the result of one (1) plus the STEP FOUR
 15 result.
 16 **(b) For each charter school, the index used in subsection (c) is**
 17 **the statewide average of the indices determined under subsection**
 18 **(a).**
 19 **(c) As used in this subsection, "school corporation" includes a**
 20 **charter school.** A school corporation's target revenue per ADM for a
 21 calendar year is the result determined under STEP SIX of the following
 22 formula:
 23 STEP ONE: Determine the result under clause (B) of the
 24 following formula:
 25 (A) Determine the result of:
 26 (i) four thousand four hundred forty dollars (\$4,440) in 2002
 27 and four thousand five hundred sixty dollars (\$4,560) in
 28 2003; multiplied by
 29 (ii) the index determined ~~for the school corporation~~ under
 30 subsection (a) **or (b), as applicable.**
 31 (B) Multiply the clause (A) result by the school corporation's
 32 adjusted ADM for the current year.
 33 STEP TWO: Divide the school corporation's previous year
 34 revenue by the school corporation's adjusted ADM for the
 35 previous year.
 36 STEP THREE: Multiply the subsection (a) STEP FIVE result by
 37 the following:
 38 (A) If the STEP TWO result is not more than:
 39 (i) four thousand four hundred forty dollars (\$4,440) in
 40 2002; and
 41 (ii) four thousand five hundred sixty dollars (\$4,560) in
 42 2003;



multiply by ninety dollars (\$90).

(B) If the STEP TWO result is:

(i) more than four thousand four hundred forty dollars (\$4,440) and not more than five thousand five hundred twenty-five dollars (\$5,525) in 2002; or

(ii) more than four thousand five hundred sixty dollars (\$4,560) and not more than five thousand eight hundred twenty-five dollars (\$5,825) in 2003;

multiply by the result under clause (C).

(C) Determine the result of:

(i) The STEP TWO result minus four thousand four hundred forty dollars (\$4,440) in 2002 and four thousand five hundred sixty dollars (\$4,560) in 2003.

(ii) Divide the item (i) result by one thousand eighty-five dollars (\$1,085) in 2002 and one thousand two hundred sixty-five dollars (\$1,265) in 2003.

(iii) Multiply the item (ii) result by forty dollars (\$40).

(iv) Subtract the item (iii) result from ninety dollars (\$90).

(D) If the STEP TWO result is more than:

(i) five thousand five hundred twenty-five dollars (\$5,525) in 2002; and

(ii) five thousand eight hundred twenty-five dollars (\$5,825) in 2003;

multiply by fifty dollars (\$50).

STEP FOUR: Add the STEP TWO result and the STEP THREE result.

STEP FIVE: Determine the greatest of the following:

(A) Multiply the STEP FOUR result by the school corporation's adjusted ADM for the current year.

(B) Multiply the school corporation's previous year revenue by one and two-hundredths (1.02).

(C) The STEP ONE amount.

STEP SIX: Divide the STEP FIVE amount by the school corporation's adjusted ADM for the current year.

SECTION 25. IC 21-3-1.7-6.8, AS AMENDED BY P.L.85-2002, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 6.8. **(a) This section does not apply to a charter school.**

(b) A school corporation's target general fund property tax rate for purposes of IC 6-1.1-19-1.5 is the result determined under STEP THREE of the following formula:

STEP ONE: This STEP applies only if the amount determined in

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STEP FIVE of the formula in section ~~6.7(b)~~ **6.7(c)** of this chapter minus the result determined in STEP ONE of the formula in section ~~6.7(b)~~ **6.7(c)** of this chapter is greater than zero (0).

Determine the result under clause (E) of the following formula:

(A) Divide the school corporation's 2002 assessed valuation by the school corporation's current ADM.

(B) Divide the clause (A) result by ten thousand (10,000).

(C) Determine the greater of the following:

(i) The clause (B) result.

(ii) Thirty-nine dollars (\$39) in 2002 and thirty-nine dollars and seventy-five cents (\$39.75) in 2003.

(D) Determine the result determined under item (ii) of the following formula:

(i) Subtract the result determined in STEP ONE of the formula in section ~~6.7(b)~~ **6.7(c)** of this chapter from the amount determined in STEP FIVE of the formula in section ~~6.7(b)~~ **6.7(c)** of this chapter.

(ii) Divide the item (i) result by the school corporation's current ADM.

(E) Divide the clause (D) result by the clause (C) result.

(F) Divide the clause (E) result by one hundred (100).

STEP TWO: This STEP applies only if the amount determined in STEP FIVE of the formula in section ~~6.7(b)~~ **6.7(c)** of this chapter is equal to STEP ONE of the formula in section ~~6.7(b)~~ **6.7(c)** of this chapter and the result of clause (A) is greater than zero (0).

Determine the result under clause (G) of the following formula:

(A) Add the following:

(i) An amount equal to the annual decrease in federal aid to impacted areas from the year preceding the ensuing calendar year by three (3) years to the year preceding the ensuing calendar year by two (2) years.

(ii) The portion of the maximum general fund levy for the year that equals the original amount of the levy imposed by the school corporation to cover the costs of opening a new school facility during the preceding year.

(B) Divide the clause (A) result by the school corporation's current ADM.

(C) Divide the school corporation's 2002 assessed valuation by the school corporation's current ADM.

(D) Divide the clause (C) result by ten thousand (10,000).

(E) Determine the greater of the following:

(i) The clause (D) result.



(ii) Thirty-nine dollars (\$39) in 2002 and thirty-nine dollars and seventy-five cents (\$39.75) in 2003.

(F) Divide the clause (B) result by the clause (E) amount.

(G) Divide the clause (F) result by one hundred (100).

STEP THREE: Determine the sum of:

(A) ninety-one and eight-tenths cents (\$0.918) in 2002; and

(B) ninety-five and eight-tenths cents (\$0.958) in 2003; and
if applicable, the STEP ONE or STEP TWO result.

SECTION 26. IC 21-3-1.7-8, AS AMENDED BY P.L.85-2002, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 8. **(a) Except as otherwise indicated, "school corporation" includes a charter school.**

(b) Notwithstanding IC 21-3-1.6 and subject to section 9 of this chapter, the state distribution for a calendar year for tuition support for basic programs for each school corporation equals the result determined using the following formula:

STEP ONE:

(A) For a school corporation not described in clause (B), determine the school corporation's result under STEP FIVE of section ~~6.7(b)~~ **6.7(c)** of this chapter for the calendar year.

(B) For a school corporation that has target revenue per adjusted ADM for a calendar year that is equal to the amount under STEP ONE (A) of section ~~6.7(b)~~ **6.7(c)** of this chapter, determine the sum of:

(i) the school corporation's result under STEP ONE of section ~~6.7(b)~~ **6.7(c)** of this chapter for the calendar year; plus

(ii) the amount of the annual decrease in federal aid to impacted areas from the year preceding the ensuing calendar year by three (3) years to the year preceding the ensuing calendar year by two (2) years; plus

(iii) the part of the maximum general fund levy for the year that equals the original amount of the levy imposed by the school corporation to cover the costs of opening a new school facility during the preceding year.

STEP TWO: Determine the remainder of

~~(A)~~ the STEP ONE amount; minus:

~~(B)~~ **(A) for a school corporation that is not a charter school**, the sum of:

(i) the school corporation's tuition support levy; plus

(ii) the school corporation's excise tax revenue for the year

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- that precedes the current year by one (1) year; or
(B) for a school corporation that is a charter school:
(i) in 2003, zero (0); and
(ii) after December 31, 2003, the product of the amount
determined under IC 21-3-1.7-6.7(c) STEP FIVE
multiplied by thirty-five hundredths (0.35).

If the state tuition support determined for a school corporation under this section is negative, the school corporation is not entitled to any state tuition support. In addition, the school corporation's maximum general fund levy under IC 6-1.1-19-1.5 shall be reduced by the amount of the negative result.

SECTION 27. IC 21-3-1.7-9.5, AS AMENDED BY P.L.93-2000, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 9.5. (a) **As used in this section, "school corporation" includes:**

- (1) a conversion charter school; and**
- (2) beginning in the second calendar year after the calendar year in which a nonconversion charter school begins its initial operation, a nonconversion charter school.**

(b) In addition to the distribution under sections 8, 9.7, and 9.8 of this chapter, a school corporation is eligible for an enrollment adjustment grant if the school corporation's:

- (1) current ADM minus the school corporation's previous year ADM is at least two hundred fifty (250); or
- (2) current ADM divided by the school corporation's previous year ADM is at least one and five-hundredths (1.05).

(c) The amount of the enrollment adjustment grant is the amount determined in STEP THREE of the following formula:

STEP ONE: Determine the school corporation's target revenue per ADM divided by three (3).

STEP TWO: Determine the result of the school corporation's current ADM minus the school corporation's previous year ADM.

STEP THREE: Multiply the STEP ONE result by the STEP TWO result.

(d) Notwithstanding any other provision, for purposes of computing the amount of a grant under this section, "ADM" does not include an eligible pupil who is described in IC 21-3-1.6-1.2(a).

SECTION 28. IC 21-3-1.7-9.8, AS AMENDED BY P.L.291-2001, SECTION 98, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 9.8. (a) **As used in this section, "school corporation" includes:**

- (1) a conversion charter school; and**



(2) beginning in the second calendar year after the calendar year in which a nonconversion charter school begins its initial operation, a nonconversion charter school.

(b) In addition to the distributions under sections 8, 9.5, and 9.7 of this chapter, a school corporation is eligible for an honors diploma award in the amount determined under STEP TWO of the following formula:

STEP ONE: Determine the number of the school corporation's eligible pupils who successfully completed an academic honors diploma program in the school year ending in the previous calendar year.

STEP TWO: Multiply the STEP ONE amount by:

(1) nine hundred forty-four dollars (\$944) in 2002; and

(2) nine hundred sixty-three dollars (\$963) in 2003.

~~(b)~~ **(c)** Each year the governing body of a school corporation may use the money that the school corporation receives for an honors diploma award under this section to give nine hundred forty-four dollars (\$944) in 2002 and nine hundred sixty-three dollars (\$963) in 2003 to each eligible pupil in the school corporation who successfully completes an academic honors diploma program in the school year ending in the previous calendar year.

SECTION 29. IC 21-3-2.1-1.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: **Sec. 1.5. As used in this chapter, "school corporation" includes a charter school.**

SECTION 30. IC 21-3-12-1.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: **Sec. 1.5. As used in this chapter, "school corporation" includes a charter school.**

SECTION 31. IC 20-5.5-7-2 IS REPEALED [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)].

SECTION 32. [EFFECTIVE UPON PASSAGE] **(a) An advance by the state board of finance of money from the abandoned property fund established in IC 32-34-1-33 to a charter school is forgiven.**

(b) This SECTION expires June 30, 2005.

SECTION 33. **An emergency is declared for this act.**

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COMMITTEE REPORT

Mr. President: The Senate Committee on Education and Career Development, to which was referred Senate Bill No. 501, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Replace the effective date in SECTION 1 with "[EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]".

Page 2, line 41, delete "May 31," and insert **"July 2,"**.

Page 3, line 31, delete "except as" and insert **"in addition to a distribution under"**.

Page 3, line 32, delete "provided in".

Page 4, line 10, delete "which:" and insert **"which"**.

Page 4, line 11, delete "(1)".

Page 4, run in lines 10 through 11.

Page 4, line 13, delete "one-tenth (1.1); or" and insert **"fifteen-hundredths (1.15)."**

Page 4, delete lines 14 through 15.

Page 4, line 19, delete "a proportionate share" and insert **"the sum"**.

Page 4, delete lines 38 through 40, begin a new line double block indented and insert:

"STEP THREE: Determine the quotient of:

(A) the STEP TWO amount; divided by

(B) two (2)."

Page 7, delete lines 38 through 39 and insert **"school corporation the sum of the proportionate shares of:**

(1) revenues obtained by the school corporation's:

(A) general fund property tax levy; and

(B) excise tax revenue; and

(2) the school corporation's certified distribution of county adjusted gross income tax revenue under IC 6-3.5-1-1 that is to be used as property tax replacement credits;

to which the school corporation is entitled during the second six (6)".

Page 8, line 1, delete "June 30" and insert **"December 31"**.

Page 8, delete lines 4 through 29, begin a new paragraph and insert:

"SECTION 7. [EFFECTIVE UPON PASSAGE] (a) The definitions in IC 20-5.5-1 apply throughout this SECTION.

(b) This subsection applies to the state fiscal year beginning July 1, 2003, and ending June 30, 2004. The total of the distributions, excluding distributions of federal funds, by the department under:

(1) IC 20-5.5-7-3(d), as amended by this act, to the organizer



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of a charter school other than a conversion charter school;
 (2) IC 20-5.5-7-3(i), as amended by this act; and
 (3) IC 21-3-1.7-9.9, as added by this act, to a school corporation for the school corporation's students who attend a charter school other than a conversion charter school;
 may not exceed four million dollars (\$4,000,000) for the state fiscal year. The total of the distributions, excluding distributions of federal funds, includes any amount set aside by the department under subsection (d) for the state fiscal year.

(c) This subsection applies to the state fiscal year beginning July 1, 2004, and ending June 30, 2005. The total of the distributions, excluding distributions of federal funds, by the department under:

(1) IC 20-5.5-7-3(d), as amended by this act, to the organizer of a charter school other than a conversion charter school;
 (2) IC 20-5.5-7-3(i), as amended by this act; and
 (3) IC 21-3-1.7-9.9, as added by this act, to a school corporation for the school corporation's students who attend a charter school other than a conversion charter school;
 may not exceed four million dollars (\$4,000,000) for the state fiscal year. The total of the distributions, excluding distributions of federal funds, includes any amount set aside by the department under subsection (d) for the state fiscal year.

(d) This subsection applies after June 30, 2003, and before July 1, 2005. When the department receives the information reported under IC 20-5.5-7-3(c), as amended by this act, the department shall set aside an amount that is sufficient to fund the distributions, excluding distributions of federal funds, under IC 20-5.5-7-3(d), as amended by this act, and IC 21-3-1.7-9.9, as added by this act, during the state fiscal year.

(e) The department may adopt temporary rules in the manner provided for the adoption of emergency rules under IC 4-22-2-37.1 to implement this SECTION. A temporary rule adopted under this SECTION expires on the earliest of the following:

- (1) The date another temporary rule is adopted under this SECTION to supersede the previously adopted temporary rule.
- (2) The date that a permanent rule is adopted under IC 4-22-2 to supersede a temporary rule adopted under this SECTION.
- (3) July 1, 2005.

(f) This SECTION expires July 1, 2005."

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Renumber all SECTIONS consecutively.

and when so amended that said bill do pass and be reassigned to the Senate Committee on Finance.

(Reference is to SB 501 as introduced.)

KENLEY, Chairperson

Committee Vote: Yeas 8, Nays 2.

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SENATE MOTION

Mr. President: I move that Senator Rogers be added as coauthor of Senate Bill 501.

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COMMITTEE REPORT

Mr. President: The Senate Committee on Finance, to which was referred Senate Bill No. 501, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Delete everything after the enacting clause and insert the following:

(SEE TEXT OF BILL)

and when so amended that said bill do pass.

(Reference is to SB 501 as printed February 7, 2003.)

BORST, Chairperson

Committee Vote: Yeas 15, Nays 0.

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